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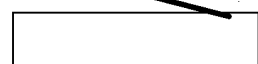
National Intelligence Daily

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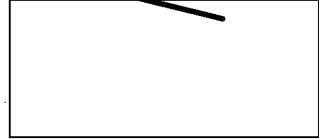
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SAUDI ARABIA-IRAQ: Renewed Interest In Pipeline

Riyadh may bow to Baghdad's pressure for access to an oil pipeline across Saudi Arabia because of Iraq's mounting financial difficulties and the poor prospects for reopening the pipeline across Syria soon. []

[] Foreign Minister Saud told [] this week that negotiations between the Gulf Cooperation Council and Damascus to reopen the Iraqi-Syrian pipeline had "totally failed." Iraq is dependent on a pipeline through Turkey to export 800,000 barrels per day. []

Saud says Iraq and Saudi Arabia are now working to link Iraq to the Saudi pipeline that extends to the Red Sea. He estimated construction would take about 12 months. []

[]

Comment: The question of financing the new link—which would be considerably cheaper than constructing a separate line from Iraq to the Red Sea—still has to be addressed. The Saudis have never been enthusiastic supporters of an Iraqi pipeline crossing their territory. They withdrew financial assistance for such a line proposed in 1981, effectively killing that project. []

Iraq has to increase oil exports substantially if it is to solve its economic dilemma. The pipeline, however, would not provide immediate relief. If other financial aid is not forthcoming, Baghdad may be compelled to step up the war with Iran in order to bring Tehran to the negotiating table or secure the support of Western powers to mediate a peace. []

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